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**MANAGEMENT'S DISCUSSION AND ANALYSIS AND
BASIC FINANCIAL STATEMENTS**

JEFFERSON FACILITIES, INC.

Year ended June 30, 2006

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 1/10/07

JEFFERSON FACILITIES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS AND
BASIC FINANCIAL STATEMENTS

Year ended June 30, 2006

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VINCENT R. PROTTI, JR., L.L.C.

Certified Public Accountant

Member American Institute Of Certified Public Accountants
The Society of Louisiana CPA's
Government Finance Officers Association

Independent Auditor's Report

Jefferson Facilities , Inc.
230 Huey P. Long Avenue
Gretna, LA 70053

I have audited the accompanying component unit financial statements of Jefferson Facilities, Inc., (a non-profit corporation) Gretna, LA, a component unit of the Parish of Jefferson, State of Louisiana, under accounting principles generally accepted in the United States of America, as of and for the year ended June 30, 2006, as listed in the table of contents to the report. These financial statements are the responsibility of the Jefferson Facilities, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of American and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the component unit financial statements referred to above present fairly, in all material respects, the financial position of Jefferson Facilities, Inc., Louisiana, as of June 30, 2006 and the results of its operations and cash flows for the period then ended in conformity with accounting principles generally accepted in the United States of America.

Management's discussion and analysis on pages 3 through 6 is not a required part of the basic financial statements but is supplementary information required by the Government Accounting Standards Board. I have applied certain limited procedures, which consisted primarily of inquires of management regarding the methods of measurement and presentation of the supplementary information. However, I did not audit the information and express no opinion on it.

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1107 Wright Avenue
Gretna, LA 70056

In accordance with *Government Auditing Standards*, I have also issued my report dated December 14, 2006 on my consideration of the Jefferson Facilities, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, and contracts. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of my audit.

A handwritten signature in black ink, appearing to read "Vincent R. Protti, CPA". The signature is stylized with a large initial "V" and "P".

Vincent R. Protti, LLC

December 14, 2006

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

The Management's Discussion and Analysis (MD&A) of Jefferson Facilities, Inc.'s (JFI) financial performance provides an overview and objective narrative analysis of JFI's financial activities for the year ended June 30, 2006. Please read it in conjunction with JFI's financial statements.

The MD&A is a new element of the Required Supplementary Information specified in the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, issued in June 1999. Certain comparative information between the current fiscal year and the prior fiscal year is required to be presented in MD&A.

Financial Highlights

- The liability of JFI exceeded its assets by \$9.1 million for fiscal year ending 2006 compared to \$9.2 million in the prior year. This is due to the structure of JFI. Jefferson Redevelopment, Inc. (JRI), a public benefit non-profit corporation, and the Parish of Jefferson (Parish). JFI and JRI were created by the governing authority of Jefferson Parish. To date JFI has undertaken two projects, the first is the construction and management of a parking garage for Jefferson Parish. Jefferson Parish is leased certain tracts of land to JRI upon which a parking garage was constructed. JFI entered into a sublease with JRI for this land and agreed to design, build, maintain and operate a parking garage. As such, JRI owns the parking garage, JFI is responsible for the repayment of the bonds issued for the construction of the garage, and Jefferson Parish is the guarantor of the bond issue. Ownership for the parking garage will revert to the Parish upon final payment of the debt obligation.
- Jefferson Parish paid 97% of the debt obligation due in reference to the garage in 2005/2006 on behalf of JFI.
- Parking garage operating expenses exceeded income from the parking garage by \$64,900 as compared to previous years where expenses were reduced by revenues in the amount of \$20,873. The 2005/2006 revenue decline was due to Hurricanes Katrina and Rita and should not be recurring.
- The second project JFI entered into is a Cooperative Endeavor agreement with the State of Louisiana, the Louisiana Department of Economic Development, and Northrop Grumman Ship Systems (NGSS) for the purpose of maintaining employment levels at Avondale Shipyards of NGSS. To facilitate that purpose, the cost of acquiring and installing property and equipment for use by NGSS at its Avondale operations site in Jefferson Parish. These certificates are secured by a pledge of all rights and interests of JFI in, to and under the Cooperative Endeavor agreement. These certificates are special

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

limited obligations of JFI, payable from legally available funds as defined in the Certificates. JFI's source of payments will be funds provided by the State of Louisiana subject to annual appropriation by the State Legislature pursuant to the cooperative Endeavor Agreement. The Legislature of the State of Louisiana is not required to appropriate or provide funds for this purpose. The Certificates do not constitute a political subdivision of the State, and accordingly have not been reported in the financial statements. As of June 30, 2006, the aggregate principal outstanding on these certificates was \$33,290,000.

In connection with this agreement JFI received fees of \$96,000 at the closing and is to receive additional administrative fees of \$36,000 annually beginning October 1, 2005. The final payment is due October 1, 2021. Amounts received under this agreement are reported in the financial statements as non-operating revenues.

Overview of the Financial Statements

This discussion and analysis intended to serve as an introduction to JFI's basic financial statements.

JFI's total assets are \$13,997 and total liabilities are \$9,142,648 which result in unrestricted net \$487,912 loss. Debt service payments by Jefferson Parish of \$618,603 and transfer out to JRI of \$105,381 resulted in a increase in net assets of \$25,310.

JFI's total operating revenues for the year ended 2006 are \$212,653 of which 99% is derived from parking garage fees compared to \$304,862, of which 99% was also derived from parking garage fees in 2005. The major operating expenses for the year ended 2006 include payroll of \$125,755 insurance of \$41,961, and base management fees of \$44,000 compared to payroll of \$131,598, insurance of \$52,932 and base management fees of \$54,000 for the year ended 2005.

The non-operating expenses for JFI are related to the administration bond issue for the construction of the parking garage and the culmination of the NGSS Cooperative Endeavor agreement and account for 5% of the total net assets for the year ended 2006 and 2005. The non-operating revenue of \$36,000 consists of administrative fees in connection with the conduct financing arrangement with Northrop Grumman Ship Systems.

Budgetary Highlights

The JFI Board approves a budget prior to the start of the fiscal year. Any amendments to this budget during the fiscal year are voted on by the Board. There was no budget amendments made during fiscal year 2006/2005.

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Long-Term Debt

JFI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (LCDA) to finance \$9,315,000 for the design and construction of parking facilities at the Gretna Courthouse Complex, Gretna, Louisiana. This financing involved LCDA issuing 30 year revenue bonds at a yearly fixed rate of 4.55%. The debt service schedule is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u>
2004	\$165,000	\$455,715	\$620,715
2005	\$175,000	\$448,290	\$623,290
2006	\$180,000	\$440,415	\$620,415
2007	\$190,000	\$431,865	\$621,865
2008-2012	\$1,085,000	\$2,026,150	\$3,111,150
2013-2017	\$1,360,000	\$1,750,750	\$3,110,750
2018-2022	\$1,735,000	\$1,374,750	\$3,109,750
2023-2027	\$2,215,000	\$896,000	\$3,111,000
2028-2031	\$2,210,000	\$282,250	\$2,493,250

Economic Factors and New Year's Budget

The parking garage provides a desperately needed service for the Parish administrative functions as well as the entire judicial function including the District Attorney, the court system, and the correctional functions. Demand for parking spaces is fairly consistent during normal business hours.

The operator and JFI management are charged with finding ways to increase revenues during off-peak times as well as aggressively market and sell contract spaces in the garage.

Rising operational costs as insurance, repairs and maintenance are areas for concern. The intent of the financial structure is that JFI would generate enough operational funds to cover its operational expenses. The operative income (loss) was \$(64,906) and \$20,873 for the years ended 2006 and 2005, respectively. However, when the operations ultimately end in a deficit position, the Parish will seek approval from the Jefferson Parish Council to appropriate enough funds from its General Fund to cover any operational shortfall. The Parish has provided for an appropriation in its 2006 Budget cover the total debt service obligation on the bonds.

Parking Lot C

During the fiscal year, Lot C next to the Second Parish Court building became available for parking due to the completion of the Second Parish Court building. The additional revenue from the lot was offset by other parking lots being unavailable due to ongoing construction on the campus.

JEFFERSON FACILITIES, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2006

Northrop Grumman Ship Systems

JFI entered into a Cooperative Endeavor agreement with the State of Louisiana, the Louisiana Department of Economic Development, and Northrop Grumman Ship Systems (NGSS) for the purpose of maintaining employment levels at Avondale Shipyards of NGSS. To facilitate that purpose, JFI issued \$40,615,000 of taxable certificates of participation to be used to finance the cost of acquiring and installing property and equipment for use by NGSS at its Avondale operations site in Jefferson Parish. These certificates are secured by a pledge of all rights and interests of JFI in, to and under the Cooperative Endeavor agreement.

These certificates are special limited obligations of JFI, payable solely from legally available funds as defined in the Certificates. JFI's source of payments will be funds provided by the State of Louisiana subject to annual appropriation by the State Legislature pursuant to the cooperative Endeavor Agreement. The Legislature of the State of Louisiana is not required to appropriate or provide funds for this purpose. The Certificates do not constitute a debt or pledge of the general credit or indebtedness of the State, JFI or any political subdivision of the State, and accordingly have not been reported in the financial statements. As of June 30, 2006, the aggregate principal outstanding on these certificates was \$33,290,000.

JEFFERSON FACILITIES, INC.
STATEMENT OF NET ASSETS
JUNE 30, 2006

ASSETS

Cash and Cash Equivalent	<u>\$ 13,997</u>
Total Assets	<u>13,997</u>

LIABILITIES

Current Liabilities	
Bond Interest Payable	149,583
Loan Payable - Current	180,000
Due to Central Parking	17,947
Due to Jefferson Redevelopment, Inc.	59
Due to Jefferson Parish	<u>59</u>
Total Current Liabilities	347,648

Non-current liabilities	
Loan Payable - Noncurrent	<u>8,795,000</u>
Total Liabilities	<u>9,142,648</u>

NET ASSETS

Unrestricted (Deficit)	<u>(9,128,651)</u>
Total Net Assets (Excess of Liabilities)	<u>\$ (9,128,651)</u>

The accompanying notes are an integral part of these financial statements.

JEFFERSON FACILITIES, INC.
STATEMENT OF ACTIVITIES, AND CHANGES IN NET ASSETS
JUNE 30, 2006

OPERATING REVENUES:

Parking Garage Revenue	\$ 203,732
Other Revenue	<u>8,921</u>
Total Operating Revenue	212,653

OPERATING EXPENSES:

Accounting and Legal	25,120
Automobile	600
Bank Service Charges	387
Base Management Fees	44,000
Bond Trustee Fees	4,500
Equipment	1,528
Insurance	41,916
Miscellaneous	6,608
Payroll	125,755
Repairs and Maintenance	4,020
Sales Tax	16,310
Supplies	5,444
Utilities	<u>1,371</u>
Total Operating Expenses	<u>277,559</u>

Operating Income/(Loss) (64,906)

NONOPERATING REVENUES/ (EXPENSE)

Administrative Fee Income	36,000
Bond Interest Expense	<u>(459,006)</u>
Total Non-operating Revenues/ (Expenses)	<u>(423,006)</u>

Income/ (loss) before Contributions and Transfers (487,912)

CAPITAL TRANSFERS

Capital Transfers In	618,603
Capital Transfers (Out)	<u>(105,381)</u>
Total Capital Transfers In (Out)	<u>513,222</u>

Change in Net Assets 25,310

Net Assets (Excess of Liabilities) at Beginning of Year (9,153,961)

Net Assets (Excess of Liabilities) at End of Year \$(9,128,651)

The accompanying notes are an integral part of these financial statements.

JEFFERSON FACILITIES, INC.
STATEMENT OF CASH FLOWS
JUNE 30, 2006

CASH FLOWS FROM OPERATING ACTIVITIES:

Cash Received from Parking Garage Operations	\$ 6,482
Other Operating Cash Receipts	2,781
Cash Payments for Professional Services	(27,967)
Cash Payments for Other Goods and Services	<u>(24,633)</u>

Net cash provided (used) by operating activities (43,337)

CASH FLOWS FROM CAPITAL and RELATED
FINANCING ACTIVITIES:

Cash Received from Administrative Fees	<u>36,000</u>
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Net cash provided (used) by capital and related
financing activities 36,000

CASH FLOWS FROM INVESTING ACTIVITIES:

Equipment purchased and transferred out	<u>(102,496)</u>
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Net cash provided (used) by investing activities (102,496)

NET increase (decrease) in cash and cash equivalents (109,833)

CASH AND CASH EQUIVALENTS, beginning of year 123,830

CASH AND CASH EQUIVALENTS, end of year \$ 13,997

The accompanying notes are an integral part of these financial statements.

JEFFERSON FACILITIES, INC.
STATEMENT OF CASH FLOWS (continued)
JUNE 30, 2006

Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ <u>(64,906)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Increase (decrease) in accounts payable	21,972
Increase (decrease) in accrued expenses	(<u>403</u>)
Net cash provided (used) by operating activities	\$ <u>(43,337)</u>
Non Cash Transactions:	
Transfer from Jefferson Parish directly to trustee for debt service	\$ <u>(618,603)</u>

The accompanying notes are an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNATURE ACCOUNTING POLICIES

Jefferson Facilities, Inc. (JFI) was formed on January 11, 2001 as a private non-profit corporation pursuant to the Louisiana Non-profit Corporation Law (Chapter 2 of Title 12 of the Louisiana Revised Statutes of 1950, as amended.) It was established as an economic development corporation, and, particularly the provisions of Chapter 27 of Title 33 of the Louisiana Revised Statutes of 1950, as amended, with the permission of the Parish Council of the Parish of Jefferson, Louisiana, by resolution dated October 18, 2000. The purpose of the corporation is to actively seek interaction through federal, state or local government initiatives or through its own violation or create programs whereby it may best interact and cooperate with other economic development corporations to carry out the purposes for which it is created. The corporation is organized on a non-stock basis and is managed by a three-person Board of Directors who serves without compensation.

1. FINANCIAL REPORTING ENTITY

The entity is a component unit of Jefferson Parish, Louisiana. A component unit is defined as a legally separate organization for which the elected officials of the primary government (Jefferson Parish, Louisiana) are financially accountable. The criteria used in determining whether financial accountability exists include the appointment of a voting majority of an organization's governing board, the ability of the primary government to impose its will on that organization or whether there is a potential for the organization to provide specific financial benefits or burdens to the primary government. Fiscal dependency may also play a part in determining financial accountability.

2. BASIS OF ACCOUNTING

Basis of accounting relates to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made. The activities of JFI is accounted for using the accrual basis of accounting whereby revenues are recognized when earned and expenses are recognized at the time the liability is incurred. The revenues susceptible to accrual are the net due to /from Central Parking Systems (garage management company).

In accordance with Statements No. 20 of the Governmental Accounting Standards Board (GASB), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Accounting*, it is Jefferson Facilities, Inc.'s, policy to apply all applicable GASB pronouncements as well as all Financial Accounting Standards Board Statements and Interpretations. Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. JFI has not adopted any Financial Accounting Standards Board Statements or Interpretations, Accounting Principles Board Opinion or Accounting

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Research Bulletins of the Committee Accounting Procedures issued after November 30, 1989. In addition, these financial statements include the implementation of GASB Statement Number 34, *Basic Financial Statements and Management's Discussion and analysis for State and Local Governments* and related standards.

3. ACTIVITIES

The entity engages in activities for the purpose of alleviating conditions of economic distress affecting jurisdictions in which the entity is operative. The affected jurisdiction of the entity is that portion of the Parish of Jefferson, Louisiana, west of the Mississippi River and the geographic location where local economic development activity should be directed to achieve maximum effort, to be designated as an Economic Development Area by the entity and the Parish of Jefferson, shall be coextensive with the boundaries of the Jurisdiction.

The initial project undertaken by the corporation was for the development, design, construction and operation of a parking garage and operation of surface parking facilities. In December 2004, in cooperation with the Louisiana Department of Economic Development, JFI issued certificates of indebtedness to pay for a portion of the costs of equipment to be utilized by Northrop Grumman Ship Systems, Inc. (NGSS) at its Avondale Operations in Jefferson Parish.

4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include investments in highly liquid debt instruments with a maturity of three months or less.

5. NET ASSETS

Net Assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Parish through restrictions imposed by contracts.

6. TRANSFERS IN (OUT)

The agreements between JFI and Jefferson Redevelopment, Inc. and between JFI and Jefferson Parish relative to the leased facilities (Note C) provide for the flow of assets without an equivalent flow of assets in return and without a requirement for repayment. Accordingly, the payments relative to these leases are reported as transfers in (out) in the Statement of Activities and Changes in Net Assets. Administrative and operating expenses of Jefferson Redevelopment, Inc. paid in connection with these leases are also treated and reported as transfers (out) in the Statement of Activities and Changes in Net Assets.

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE B - DEPOSITS AND CONCENTRATION OF CREDIT RISK

At June 30, 2006, the carrying amount of JRI's unrestricted deposits was \$13,989 which equaled the bank balances.

NOTE C - LEASED FACILITIES

The parking operations of JRI are conducted in leased facilities which are subject to several agreements described below.

1. COOPERATIVE ENDEAVOR AGREEMENT

JRI entered into a cooperative endeavor agreement with the Parish of Jefferson, Louisiana, and Jefferson Redevelopment, Inc. dated August 1, 2001, which sets forth the representations and obligations that the parties agreed upon to facilitate the development, design, finance, construction and operation of a parking garage. The details of the agreement are outlined below.

2. SUBLEASE AGREEMENT

The Parish of Jefferson has leased certain tracts of land situated in Jefferson Parish, Louisiana, upon which the parking garage is constructed to Jefferson Redevelopment, Inc., a public benefit non-profit organization.

JRI entered into a sub-lease agreement with the Jefferson Redevelopment, Inc. On August 1, 2001 for the land on which the parking garage is built. JRI has the right to use and enjoy the premises for the construction and operation of the parking garage. In consideration of this Sublease, JRI agrees, at its own expense, to design, build, maintain and operate a parking garage and agrees to pay rental of one dollar (\$1.00) per month. As additional rent, JRI agrees to pay all amounts owed by Jefferson Redevelopment, Inc. to the Parish under the ground lease (\$1.00) per month and further agrees to pay all administrative and operating expenses of Jefferson Redevelopment, Inc. The garage and improvements will be owned by Jefferson Redevelopment, Inc.

JRI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority (the Authority). Under the agreement, the Authority issued \$9,315,000 of revenue bonds to finance the garage construction and loaned the proceeds to JRI. JRI is required to make the debt service payments on the bonds directly to the trustee. The lease ends at midnight on August 1, 2031, or the date, on which the bonds have been paid in full, whichever is later. The total amount of minimum rentals

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE C - LEASED FACILITIES

2 SUBLEASE AGREEMENT (Continued)

to be paid under the non-cancelable sublease as of June 30, 2006 is \$ 580 (including ground rent payable to the parish).

Future Minimum Lease Payments:

2007	\$ 24
2008	24
2009	24
2010	24
2011-2015	120
2016-2020	120
2021-2025	120
2026-2030	120
2031	4
Total	<u>\$ 580</u>

The parking garage constructed is owned by Jefferson Redevelopment, Inc. while the bonds are outstanding. Upon payment in full of the bonds, Jefferson Redevelopment, Inc. shall transfer ownership of the facilities to the Parish. During the year ended June 30, 2006, parking control equipment costing \$2,496 was acquired and is reported as a capital transfer to reflect the ownership of the equipment by Jefferson Redevelopment, Inc.

3. FACILITIES LEASE AGREEMENT

JRI entered into an agreement with Parish of Jefferson, State of Louisiana, to lease to the parish 200 parking spaces as selected by the Parish on August 1, 2001. In consideration for the use of the parking spaces, the Parish has contracted with JRI to provide funds to JRI, which, when combined with rental revenues available from the operation of the parking garage, will be sufficient to pay principal and interest on the Bonds. The lease payments are due prior to each interest payment date for the bonds issued to construct the parking garage. The lease renews automatically each year with the appropriation by the Jefferson Parish Council of amounts sufficient to pay the lease payments.

The obligation of the Parish to make rental payments and to pay any additional payments payable under this facilities lease constitutes a current obligation payable exclusively from legally appropriated funds and shall not be construed to be indebtedness within the meaning of any applicable constitutional or statutory limitation or requirement. The Parish has not pledged its full faith and credit or its taxing power to make any rental payments or

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE C - LEASED FACILITIES

3. FACILITIES LEASE AGREEMENT (Continued)

any additional payments under this facilities lease. The Parish has the right to be reimbursed on a first priority basis from any excess funds generated by the operations of the parking garage.

NOTE D - LONG-TERM DEBT

As discussed in Note C, on August 1, 2001, JRI entered into a loan agreement with the Louisiana Local Government Environmental Facilities and Community Development Authority to obtain financing of \$9,315,000 to design and construct parking facilities at the Gretna Courthouse Complex, Gretna, Louisiana. Financing of the project is through the issuance of Revenue Bonds (Jefferson Facilities, Inc. - Jefferson Parking Garage Project), Series 2001. The Bonds have yearly fixed rates of interest at an average yield of 4.55% and are due in varying installments through September 1, 2031. Proceeds from the Bond issuance are used to pay the costs of the project; fund a deposit to the reserve fund, if any; to pay capitalized interest on the Bonds; and to pay costs of issuance of the Bonds. Annual debt service for future years ending June 30 is shown below.

Scheduled Annual Debt Service:

<u>YEAR</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL DEBT SERVICE</u>
2007	\$ 190,000	\$ 431,865	\$ 621,865
2008	200,000	422,840	622,840
2009	210,000	414,540	624,540
2010	215,000	405,720	620,720
2011-2015	1,235,000	1,873,550	3,108,550
2016-2020	1,575,000	1,536,250	3,111,250
2021-2025	2,005,000	1,101,500	3,106,500
2026-2031	<u>3,165,000</u>	<u>576,500</u>	<u>3,741,500</u>
	<u>\$8,795,000</u>	<u>\$ 6,762,765</u>	<u>\$15,557,765</u>

JRI is to repay the loan from receipts, revenues, income and other money received by JRI from the operation of the parking garage.

LOAN AND ASSIGNMENT AGREEMENT

A Loan and Assignment Agreement dated August 1, 2001 between the Louisiana Local Government Environmental Facilities and Community Development Authority and Jefferson

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE D - LONG-TERM DEBT

LOAN AND ASSIGNMENT AGREEMENT (Continued)

Facilities, Inc. was executed for the benefit of the Trustee for the owners from time to time of the bonds whereby JRI consented and agreed to the assignment of its rights, title, and interest in the Facilities Lease Agreement (Note C) and any leases, subleases and use agreements or other similar agreements relating to the Parking Garage, all rents revenues, issues, receipts, and profits derived from the use, operation or occupancy of the Parking Garage, all proceeds of insurance received as a result of any damage to or destruction of the Parking Garage, all amounts received or receivable by the entity as compensation for the transfer of the Parking Garage but only to the extent that such proceeds, award or compensation is not used for the restoration, repair, or reconstruction of the Parking Garage.

MORTGAGE

In an act of mortgage dated August 16, 2001, JRI mortgaged, assigned, affected, pledged and hypothecated in favor of the Bank of New York, as Trustee under the Indenture, its leasehold interest in and to the immovable property under the Sublease Agreement (Note 3), in order to secure the full and punctual payment and performance of the bonds.

CAPITALIZED INTEREST

Interest cost incurred to get a capital asset ready for its intended use is capitalized. There was no capitalized interest during the current period.

NOTE E - GARAGE MANAGEMENT

The Parking Garage became operational in August of 2002. JRI entered into a garage management contract with Park One / Common, LLC (who was subsequently bought by Central Parking System). Central Parking System provides all personnel and maintains controls over cash receipts, accounting procedures, and reporting systems of the garage. JRI reimburses the garage management for allowable operating costs and provides a monthly base management fee. The contract term is for five years through August 31, 2007 with a five-year option through August 31, 2012.

NOTE F - ECONOMIC DEPENDENCY

JRI is dependent on the Jefferson Parish Council to renew annually the appropriation of amounts sufficient to pay the bond payments should the entity's profits not be sufficient to meet the bond requirements.

JEFFERSON FACILITIES, INC.
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2006

NOTE G - CONDUIT DEBT OBLIGATION

JRI entered into a Cooperative Endeavor agreement with the State of Louisiana, the Louisiana Department of economic Development, and Northrop Grumman Ship Systems (NGSS) for the purpose of maintaining employment levels at Avondale Shipyard of NGSS. To facilitate that purpose, JRI issued \$40,615,000 of taxable certificates of participation to be used to finance the cost of acquiring and installing property and equipment for use by NGSS at its Avondale Operations site in Jefferson Parish. These certificates are secured by a pledge of all rights and interests of JRI in, to and under the Cooperative Endeavor agreement.

These certificates are special limited obligations of JRI, payable solely from legally available funds as defined in the Certificates. JFI's source of payments will be funds provided by the State of Louisiana subject to annual appropriation by the State of Legislature pursuant to the Cooperative Endeavor Agreement. The Legislature of the State of Louisiana is not required to appropriate or provide funds for this purpose. The certificates do not constitute a debt or pledge of the general credit or an indebtedness of the State, JRI or any political subdivision of the State, and accordingly have been reported in the accompanying financial statements. As f June 30, 2006, the aggregate principal outstanding on these certificates was \$33,290,000.

In connection with this agreement, JRI received fees of \$96,000 at the closing and is to receive additional administrative fees of \$36,000 annually beginning October 1, 2005. The final payment is due October 1, 2021. Amounts received under this agreement are reported in the financial statements as non-operating revenues.

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Government Finance Officers Association

Independent Auditor's Report on Compliance and on Internal Control over Financial
Reporting based on an Audit of Financial Statements Performed in Accordance with
Governmental Auditing Standards

I have audited the basic financial statements of Jefferson Facilities, Inc. as of and for the year ended June 30, 2006, and have issued my report thereon dated December 14, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Jefferson Facilities, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my test disclosed no instance of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Jefferson Facilities, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be a material

weakness. This report is intended solely for the information and use of the audit committee, management, Jefferson Parish Council, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, reading "Vincent R. Protti, C.P.A.", written in a cursive style.

Vincent R. Protti, LLC

December 14, 2006

JEFFERSON FACILITIES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2006

I have audited the financial statements of Jefferson Facilities, Inc. as of June 30, 2006, and have issued my report thereon dated December 14, 2006. I conducted my audit in accordance with auditing standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. My audit of the financial statements as of June 30, 2006 resulted in an unqualified opinion.

Second I Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

	<u>Internal Control</u>		
<i>Material Weakness</i>	No	<i>Other Conditions</i>	No

	<u>Compliance</u>
<i>Compliance Material to Financial Statements</i>	No

Section II Financial Statement Findings

Prior Year Finding:

JFI failed to maintain adequate Federal Deposit Insurance or obtain a sufficient amount of pledged collateral for their cash and cash equivalents. At June 30, 2005 JFI was under insured by \$ 23,905. This relates to JFI's custodial banks failing to pledge securities on the deposits. This was correct for the current year.